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**AGENDA ID #1223**

**WATER/ABJ/HJL:jlj**

**PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

**WATER DIVISION**  
**Water Branch**

**RESOLUTION NO. W-4358**  
**October 24, 2002**

**R E S O L U T I O N**

**(RES. W-4358), SAN JOSE WATER COMPANY (SJWC).  
ORDER AUTHORIZING A SERVICE CHARGE FOR  
AUTOMATIC PAYMENT SERVICE (APS) FOR PAYMENTS  
NOT HONORED BY CUSTOMER'S BANK OR PAYMENT  
SERVICE.**

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**SUMMARY**

By Advice Letter No. 335, filed September 5, 2002, SJWC seeks revision of tariff Rule No. 9, Rendering and Payment of Bills, to implement a service charge of \$4.75 for APS payments not honored by the customer's bank or payment service. A similar service charge is already applicable to customers whose payments made by check are not honored by the customer's bank.

**DISCUSSION**

SJWC serves approximately 211,000 metered customers in portions of the city of San Jose, Cupertino, Santa Clara, Los Gatos, Monte Sereno, Saratoga, and in contiguous areas in the Santa Clara County.

SJWC is currently offering APS to customers who seek a convenient way to pay their water bill. Customers enrolled in this program continue to receive a bill statement, and approximately 21 days after the bill is received by the customer, the payment transaction is completed by the customer's financial institution or designated payment service. Currently approximately 20,000 customers are enrolled in the APS program with payment from a financial institution. However, on occasion, when submitted for reimbursement by SJWC, such payment is rejected by a customer's financial institution for insufficient funds, and SJWC is subsequently imposed a bank service charge of \$3.75. Additionally, a charge of \$0.75 is imposed on SJWC when the request for payment is subsequently resubmitted to the financial institution, for a total fee of \$4.50 per

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transaction. When an APS payment is rejected, the payment credit must be reversed manually by SJWC from the billing system, and a new past due bill as well as a cover letter explaining that the payment request was not honored by the customer's bank must be prepared. Although such incidents occur for less than one percent of the total number of APS participants on a monthly basis, the additional transaction costs and SJWC's administrative costs associated with these transactions are ultimately imposed upon all of SJWC customers. Therefore, authorization of the same cost-based \$4.75 fee on "bad" APS payments, as is currently in effect for "bad" check payments, would assure that APS customers are treated equitably with customers paying their water bill by check. The \$4.75 fee would also place the cost recovery with the customers who actually incurred the additional costs.

Service by SJWC is satisfactory. There are no Commission orders requiring system improvements nor are there any service problems requiring corrective action. SJWC is currently earning 8.86% on a recorded basis and 8.52% on a pro-forma basis, which is below its authorized rate of return of 9.11%.

**PROTESTS**

No protest letters were received.

**FINDINGS**

The Commission finds, after investigation by the Water Branch, that the tariff changes hereby authorized are reasonable and justified.

**IT IS ORDERED that:**

1. San Jose Water Company is authorized, to make effective revised Rule 9, Rendering and Payment of Bills, making the current "bad check charge" of \$4.75 applicable to customers whose Automatic Payment Service payments are not honored by the customers' bank or payment service, and to cancel the corresponding presently effective tariff schedule.
2. This resolution is effective today.

I hereby certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on October 24, 2002; the following Commissioners approved it:

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WESLEY M. FRANKLIN  
Executive Director